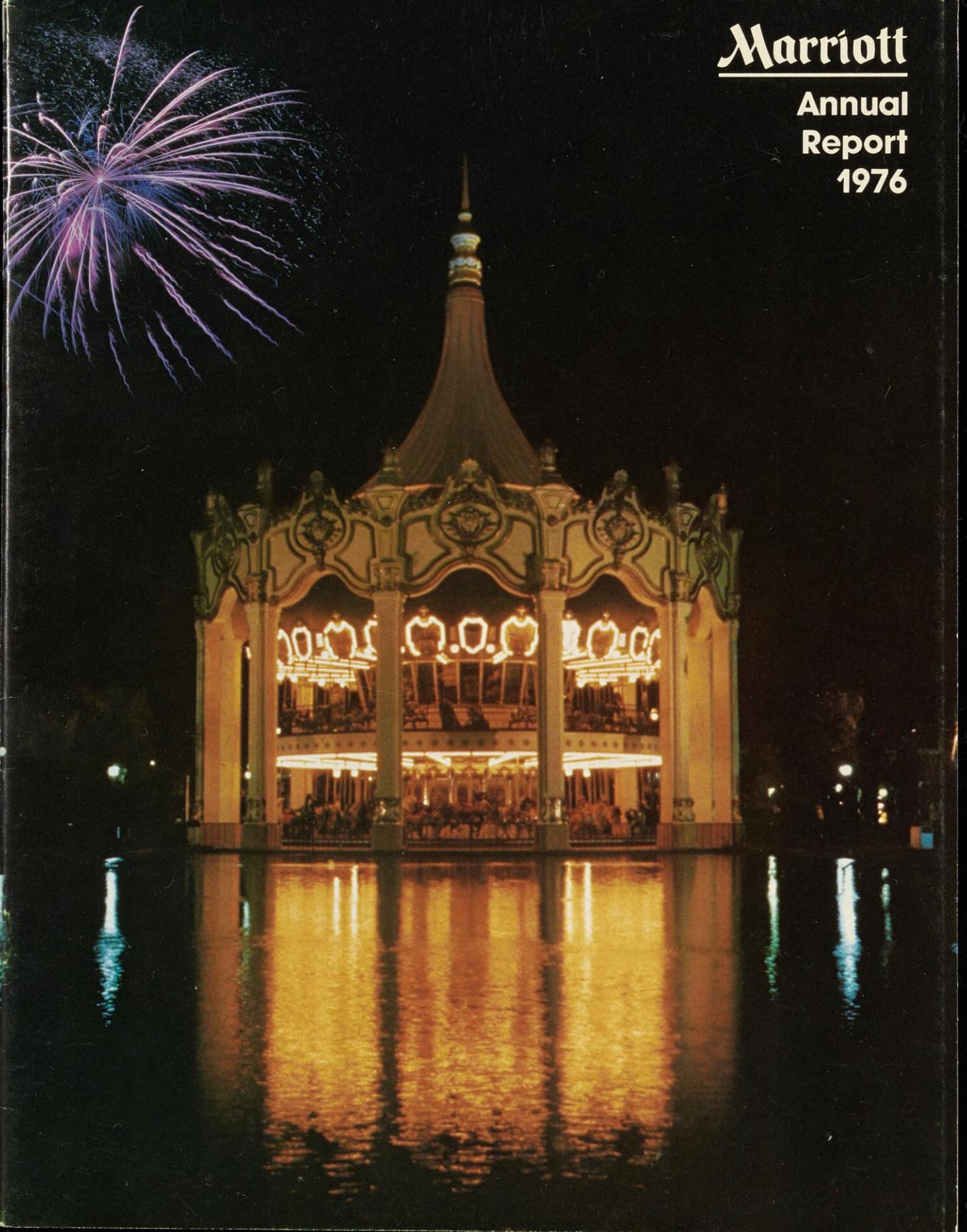


Marriott

Annual
Report
1976





ANNUAL REPORT FISCAL 1976

HIGHLIGHTS

	1976	1975	% INCREASE
Sales	\$890,403,000	\$732,396,000	21.6
Income before income taxes	51,764,000	38,407,000	34.8
Per sales dollar	5.8%	5.2%	
Net Income	30,845,000	21,818,000	41.4
Per sales dollar	3.5%	3.0%	
Per share	.90	.66	36.4
Funds provided from operations*	87,543,000	70,320,000	24.5
Working capital	15,866,000	15,425,000	2.9
Shareholders' investment	315,344,000	253,736,000	24.3
Per share	8.87	7.62	
Shares outstanding	35,567,027	33,319,508	

Results are for 53 Weeks Ended July 30, 1976 and 52 Weeks Ended July 25, 1975.

*See note C, page 35, for explanation.



LEFT:
Marriott
1,214 r
fiscal 1

COVER
carous

From the Chairman and President:

Earnings Rebound Sharply; Fiscal 1976 Gain is

Largest in 19 Years



J. W. Marriott, Jr.
President and
Chief Executive Officer

J. Willard Marriott
Founder and Chairman
of the Board

Marriott Corporation is back on its growth track. Fiscal 1976 was the rebound year we had forecast after that disappointing fiscal '75.

The recession is over.

Inflation is under better control.

Disposable income is increasing.

People are on the move—traveling—eating out.

And your company just completed the most profitable year in its history.

Sales increased 22% and profits soared 41%—
Our 10-year compound growth in profits is 20%.

Operating gains were across the board:

- Four of the five major divisions of the Restaurant Group produced excellent gains.
- Our U.S. hotels had an outstanding year.
- Airline catering picked up well in our second half and finished the year strongly.
- Sun Line Cruises reduced its losses from \$5.8 million in 1975 to \$1 million in 1976—and made a little money in the fourth quarter.
- Our new theme park venture was launched successfully, and customer reaction has been highly enthusiastic. "Marriott's Great America" opened in the Greater San Francisco and Chicago regions in the spring. By early summer, the two parks were profitable. No seasonal park has ever reached two million in attendance its first year, but we have topped that mark at each of our parks.

Not everything swung positive in fiscal '76.

The Farrell's Ice Cream Parlour Restaurant division and our Security division did not make money. We suffered from the deliberate disposition of airline catering kitchens in Italy in 1975, from the termination of our New York Thruway restaurant contract, and from increased marketing costs purposely incurred to position our Food Service Management organization for future growth.

In addition, we wrote off more than \$1.3 million in various development costs and in closing certain marginal operations during the year. The 1976 write-offs, reflecting our commitment to improving return on investment (ROI), are double the amount charged in fiscal '75. We are applying rigid new criteria for existing operations and proposed projects, and have laid a strong foundation for long-range ROI improvement.

Our balance sheet today is much improved. The successful offering of 1.25 million shares of common stock in February, 1976 enabled us to reduce debt and to materially improve the senior debt to total capitalization ratio from 54% in fiscal '75 to 50% in '76.

In total, our Restaurant, Hotels, Business and

LEFT: The Midwest's tallest hotel, the Marriott, coming to downtown Chicago—1,214 rooms scheduled to open in early fiscal 1979

COVER: Columbia—The world's largest carousel, at "Marriott's Great America"

Professional Services and Sun Line operations improved their profits by 26% in fiscal '76. New theme park profits jumped the total operating gain up 32% over last year.

Although our gross income tax rate increased, it was offset by higher investment tax credits accrued for the theme parks, resulting in a decrease in the effective tax rate to 40.4% in 1976.

Capital expenditures were down from a high of \$159 million in '75 to \$143 million in fiscal '76. They will continue to drop in '77. Heavy building costs for our two theme parks are over now, and we will be concentrating this year on expanding our basic operations.

We made certain organizational changes as fiscal '77 began. G. Michael Hostage was promoted to the new position of Executive Vice President. Formerly president of the Restaurant Group, he now has overall responsibility for our three major consumer-based Groups: Restaurants, Hotels, and Theme Parks. Richard E. Marriott assumes direction of Restaurant Operations as group vice president. Gary L. Wilson has added responsibility for property development and strategic planning, and is now vice president for corporate development and treasurer.

We believe the prospects for your company's continued profitable growth are very bright.

Marriott Hotels boasts more Mobil Travel Guide 4-Star and 5-Star hotels than any other chain. Their high degree of customer acceptance provides great strength for expansion in the hospitality field.

The Restaurant Group is structured to take advantage of the major consumer growth market—the young adults and young families. Roy Rogers Family Restaurants, Big Boy Coffee Shops, our various dinner houses, the unique Farrell's chain, Hot Shoppes Cafeterias and Restaurants all have broad customer appeal in their markets.

Our Business Group will benefit from the rapid rise in air travel and its positioning in the multi-billion-dollar food

service management market.

Sun Line Cruises continues to hold a dominant position in the Greek cruise market, and should have a good profit year in fiscal 1977.

Our newest business—theme parks—quickly has achieved a high degree of acceptance in two of the strongest metropolitan markets in the country.

The company's broad diversification in the food and lodging and leisure-time industry has enabled us to consistently increase our sales and earnings through the years. We are concentrating today on the strengths of our company... on the businesses we know best. We go into a bright future with great confidence, built on the strength of a management and employee team that is unequaled in our industry.

J. Willard Marriott *J. W. Marriott, Jr.*

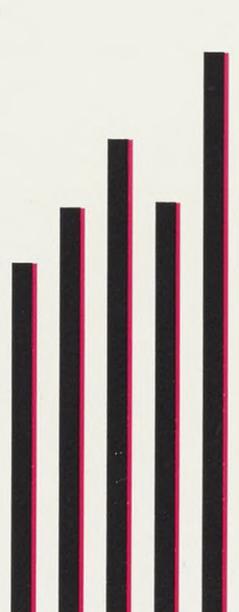
J. Willard Marriott
Chairman of the Board

J. W. Marriott, Jr.
President and
Chief Executive Officer

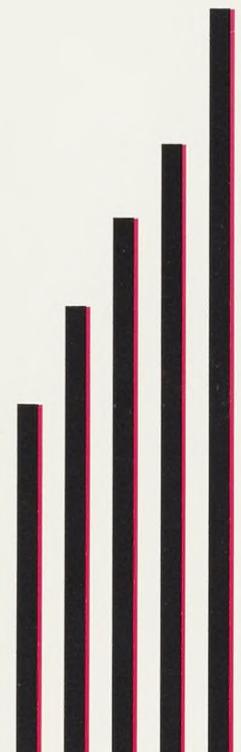
September 30, 1976



NET INCOME (in millions)
Five-Year Compound
Growth: **17.5%**



EARNINGS PER SHARE
Five-Year Compound
Growth: **14.4%**



SALES (in millions)
Five-Year Compound
Growth: **20.4%**



Special Report:

Two "Great America" Parks Off to Great Start; Each Draws Over Two Million First Year



Bugs Bunny (© 1976 Warner Bros., Inc.) and friend at "Great America"

"Marriott's Great America," five years in the making, was unveiled in two of the nation's major metropolitan regions in the spring of 1976. Almost overnight, they became two of America's brightest new leisure-time attractions.

The two identical theme parks opened in the Greater San Francisco Bay area in March and north of Chicago at the end of May.

Conceived in the spirit and style of America. Executed with excitement...color...entertainment...nostalgia...good taste...authenticity.

Packed with live shows, thrilling rides, great food, unique shops, fun games.

Splashed with flowers and shrubs, ponds and streams, park benches and gazebos.

And operated by people who smile.

The result: Both an artistic achievement and the start of a financial success. The people came and enjoyed. Guest compliments have been continuous. Combined attendance for the first season appears to be heading toward five million. Spending for admission, food, games and shops has exceeded \$13 per person—above forecast.

Profit contribution from theme park operations equaled about 3 cents a share in the costly opening year of fiscal '76. Looking ahead, the promise of greater profits in fiscal '77 and beyond is clear.

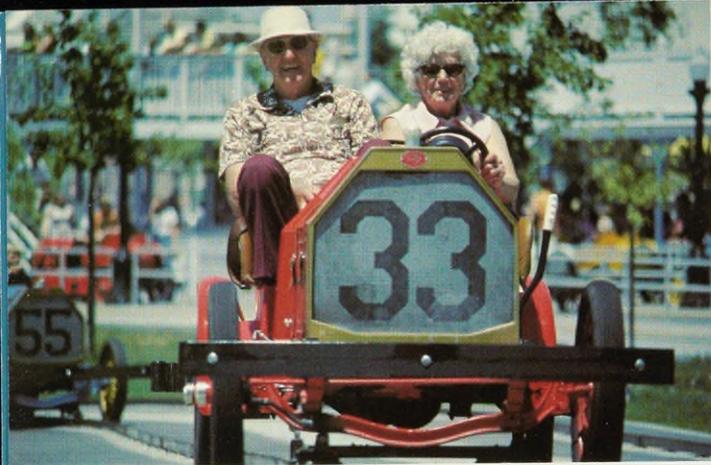
The Northern California market contains some 7 million people—and San Francisco-Oakland is the sixth largest market in disposable personal income in the United States. Chicago's 100-mile radius has 12 million people, and Greater Chicago is second in the nation in disposable personal income.

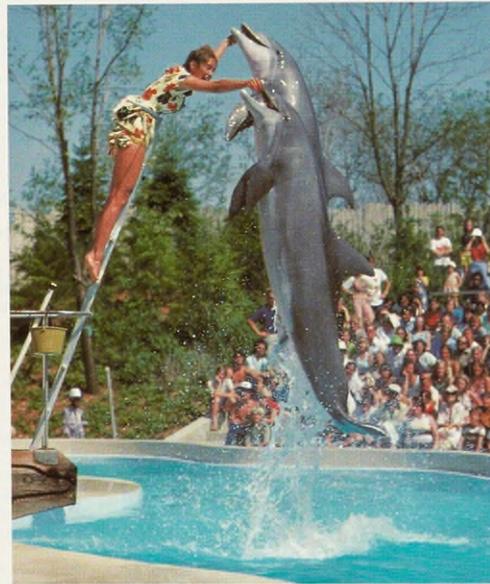
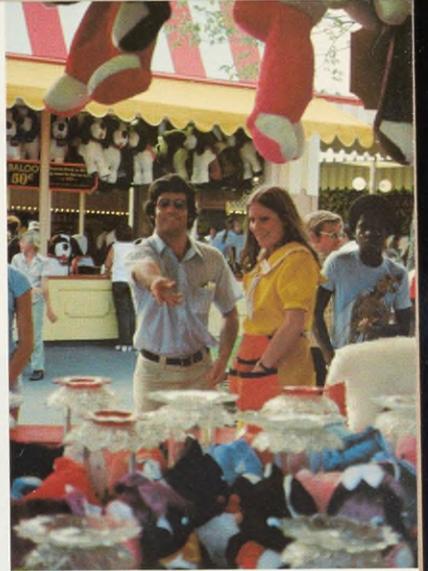
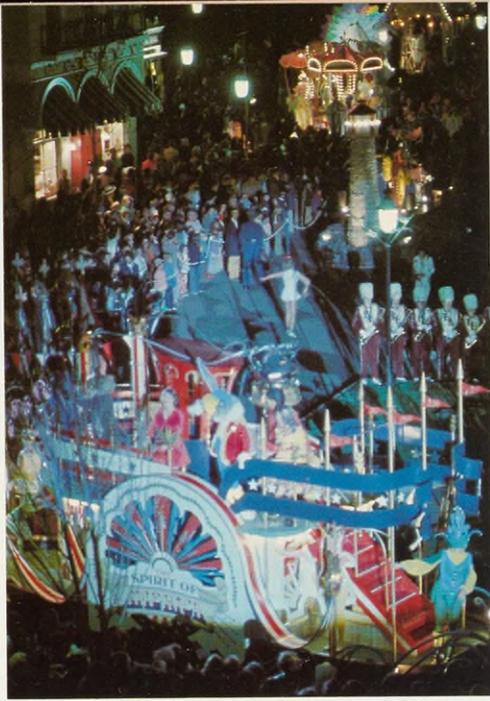
Obviously both markets are large and strong. And there is no comparable entertainment value in either one. Full operating seasons, starting next spring, will be about 150 days in Santa Clara, and 120 days in Chicago.

With the park openings, the program of carefully controlled sale of adjacent company-owned land for commercial and industrial development was begun on schedule. The disposal of about 300 acres adjacent to each park over the long term will be one more measurable benefit from the "Great America" venture.

Design of a third park—in the Greater Washington area—remains in a holding position while we complete the first full season of operations at the first two parks. We will focus on this project during fiscal 1977.

← Lift here





The Five Businesses of Marriott



Restaurant Operations

Five categories of public restaurants: Hot Shoppes Service Restaurants and Cafeterias, Big Boy Coffee Shops, Roy Rogers, Dinner Houses, Farrell's Ice Cream Parlour Restaurants.

	Fiscal '76	Fiscal '75
Sales:	\$299 million	\$253 million
Company-operated units:	421	404
Employees:	23,400	20,700
Franchised units:	846	846

421 COMPANY OPERATIONS	Units
Service Restaurants and Cafeterias	
Hot Shoppes Service Restaurants (East Coast)	14
Hot Shoppes Cafeterias (East Coast, Midwest, France)	34
Coffee Shops	
Bob's Big Boy (Ca. and Ha.)	91
Bob's Big Boy (East Coast)	18
Manner's Big Boy (Ohio)	33
Fast Foods	
Roy Rogers Family Restaurants (Eastern U.S. and Tex.)	100
Jr. Hot Shoppes (Md., D.C., N.Y.)	12
Big Boy Jrs. (Ca.)	14
Dinner Houses	
"Joshua Tree," "Phineas Prime Rib" and other Dinner Houses (Eastern U.S.)	11
Ice Cream Parlour Restaurants	
Farrell's (26 states)	94
Food Sales	
Fairfield Farm Kitchens of Washington, D.C. and Kitchens of Bob, Glendale (Ca.)	

846 FRANCHISED OPERATIONS	Units
Big Boy Restaurants of America (Nationwide and Canada)	745
Roy Rogers Family Restaurants (Nationwide and Canada)	78
Farrell's Ice Cream Parlour Restaurants (Nationwide and Canada)	23



Hotels

Leader in luxury hotels and resorts in Western Hemisphere and expanding Marriott name to foreign business centers . . . resort and luxury hotel condominiums . . . world travel services.

	Fiscal '76	Fiscal '75
Sales:	\$270 million	\$217 million
Hotels:	35	31
Rooms:	14,510	13,393
Employees:	14,400	12,400
Franchised Inns:	13	12
Franchised Rooms:	3,085	2,841

Hotels and Resorts: 35 properties in 28 cities of the U.S., Mexico, Caribbean and Europe.

Location and Fiscal Year Opened	Rooms	Location and Fiscal Year Opened	Rooms
Washington, D.C.		Dallas Inn . . . '73	277
Twin Bridges . . . '57	450	Los Angeles Airport . . . '74	1,020
Key Bridge . . . '59	372	Kansas City Airport . . . '75	266
Dallas . . . '60	477	Denver . . . '75	464
Philadelphia . . . '61	715	Amsterdam . . . '75	390
Atlanta, Downtown . . . '66	763	Lincolnshire, Ill. . . '75	393
Saddle Brook, N.J. . . '66	281	Newport Beach . . . '75	377
Scottsdale, Ariz.—Camelback Inn '68	412	Acapulco Ritz . . . '75	287
Chicago—O'Hare Airport . . . '68	706	Springfield, Mass. . . . '76	255
Houston . . . '69	339	Tucson . . . '76	308
New York City—Essex House . . . '69	802	Atlanta, Perimeter Center . . . '76	305
Acapulco Paraiso . . . '69	435	Santa Barbara, Ca. . . '76	172
Boston . . . '70	433	Santa Clara, Ca. . . '76	300
Washington, D.C. Crystal City . . . '70	301		Total 13,774
Dulles Airport . . . '70	213	Resort Hotels (Managed*)	
Bloomington, Minn. . . . '71	493	Palmas del Mar, Puerto Rico . . . '74	307
St. Louis Airport '72	426	Amelia Island, Florida† . . . '74	326
Miami Airport . . . '72	357	Acapulco Auto Ritz . . . '74	103
New Orleans . . . '72	924		Total 736
Barbados—Sam Lord's Castle . . . '73	61		

* Sales and operating expenses at managed properties are not included in consolidated statements. † Operation terminated in '77.

Franchised Inns

Thirteen Inns with 3,085 rooms opened since 1970 in Cincinnati, Columbus, Fort Wayne, Louisville, Cleveland, Berkeley, Ann Arbor, Pittsburgh, Blacksburg (Va.), Milwaukee, Indianapolis, Rochester and, added in '76, Providence.

Resort/Hotel Condominiums

- World-famous Camelback Inn near Phoenix: All existing units now sold.
- Luxury Essex Towers on Central Park South in New York. Copy of offering plan available at property or Corporate Headquarters.

Full Service Travel Bureau

Marriott World Travel, meeting corporate, individual and group travel needs to unique world destinations.



Business and Professional Services

Largest independent caterer to the world's airlines, serving 120 U.S. and foreign carriers . . . manages food service facilities for business and industry, educational and health care institutions . . . operates public restaurants in airline terminals, along major highway systems and at commercial complexes . . . offers security services and systems for business, home, institutional markets.

	Fiscal '76	Fiscal '75
Sales:	\$278 million	\$256 million
Flight Kitchens:	63	60
Management Contract Accounts:	192	181
Employees:	13,700	12,100

Flight Kitchens—North America

44 Kitchens in 33 cities of the U.S., Mexico, Caribbean

Acapulco	Houston	Oakland
Albuquerque	Kansas City	Orlando
Antigua	Las Vegas	Phoenix
Baltimore	Los Angeles	St. Croix
Barbados	Louisville	Salt Lake City
Boston	Mexico City	San Francisco (2)
Chicago (2)	Miami (3)	San Juan
Denver	Minneapolis	Seattle
Dallas/Fort Worth (2)	Newark (2)	Tampa
Fort Lauderdale (2)	New Orleans	Washington, D.C. (2)
Honolulu	New York (4)	West Palm Beach

Flight Kitchens—Overseas

19 Kitchens in Europe, South America, Africa

Athens †	Gerona, Spain	Malaga
Barcelona	Johannesburg	Palma de Mallorca
Buenos Aires (2)	Lima, Peru	Paris
Caracas	Lisbon	Rio de Janiero
Faro, Portugal	London (2)	Santiago
Frankfurt	Madrid	

†Operation terminated in '77.

192 Food Service Management Contracts

Business and Industry . . . 83	Environmental Services . . . 10
Health Care 56	Airline Terminal Operations 11
Schools and Colleges . . . 16	Highway Restaurants . . . 8
Automatic Food Service . . 8	

Special Services

Food service for Amtrak and unique Auto-Train, round-trip passenger/auto railservice to Florida from Washington, D.C. and Louisville. Institutional catering from flight kitchens—total of 17 special activities.

Security Systems

Quality loss-prevention consulting services for homes, businesses, and institutions including 13 alarm systems units.



Theme Parks

Two "Marriott's GREAT AMERICA[®]" family entertainment centers opened in 1976 with spectacular live entertainment . . . thrilling rides . . . quaint shops . . . arcades and games . . . and the widest variety of food service in the theme park industry . . . set in five authentically recreated eras of America's past.

Sales:	\$36 million (half season)	
Locations:	<ul style="list-style-type: none"> • San Francisco region in Santa Clara, California • Chicago region in Gurnee, Illinois 	
Employees:	7,860 (80% seasonal)	
Full Season Operating Days:	150 (Ca.)	120 (Ill.)
Attractions at Each Park:	Thrill Rides:	29
	Live Shows:	14
	Games and Arcades:	23
	Shops:	33
	Restaurants:	27



Sun Line Cruises

Premier cruise line in two of the world's major cruise markets—Mediterranean in summer, Caribbean in winter.

Stella Solaris—650 passengers

Stella Oceanis—310 passengers

Stella Maris—180 passengers

1976-77 Cruise Schedule

- Caribbean Sailings, Winter of '76-'77—Solaris from Tampa, Fla. and Houston/Galveston, Tex. . . . Maris from San Juan.
- Mediterranean Sailings, '77 Season—Solaris and Maris from Athens . . . Oceanis from Venice and Nice.

Restaurant Group: Fiscal '76 "Excellent Year" for Four of Five Divisions



G. Michael Hostage
Corporate
Executive Vice President

In Restaurant Operations, all major operating divisions but one had an excellent year in fiscal 1976. Group sales were up 18%, customer counts were generally ahead, and profit margins for most comparable units improved despite only minimal price increases. There was a net increase of 17 units in the Group as 34 new restaurants were opened and 17 generally older and unprofitable units were closed.

The Roy Rogers, Big Boy, Dinner House and Hot Shoppes divisions finished the year with a collective 33% profit increase—even after writing off \$600,000 for marginally profitable units. For the Group as a whole, however, profits were up only 7% after the impact of a disappointing year for the Farrell's division.

Total unit expansion in fiscal 1977 should be about double that of 1976, and concentrated in Roy Rogers, Dinner Houses and Big Boys.

Big Boy Coffee Shop sales reached the \$100 million mark in fiscal 1976. The division now has more sales and units than all of Marriott Corporation did in fiscal 1965.

Excellent profit gains for the division included improved profit margins for comparable units as well as results from 14 new units in California, Maryland and Virginia. Manner's Big Boy in Ohio registered modest sales and profit increases despite the closing of 4 marginal units.

Big Boy franchise and retail sales also contributed to the division's strong year. Included in the results was the successful introduction, in the highly competitive Southern California market, of a new refrigerated Bob's salad dressing.

Fiscal 1977 will be a year of increased unit expansion for Big Boy both on the East Coast and in the West.



'72 '73 '74 '75 '76
\$134 \$165 \$204 \$253 \$299

GROUP SALES (in millions)
Five-Year Compound
Growth: **22.4%**

Roy Rogers Family Restaurants also turned in outstanding results. The division reaped the anticipated benefits of its extensive conversion and expansion program last year. Annualized sales in many of the 29 converted Roy Rogers units are more than 40% greater than their volume under the Jr. Hot Shoppes format. Profit margins in comparable units increased substantially as customer counts and check averages exceeded expectations.

Under its "Best of the Fresh" banner, Roy Rogers features fresh roast beef and chicken, and hamburger patties individually made at each location. Continuing its determination to be the quality food leader in its field, Roy Rogers will be expanded aggressively in fiscal 1977.

Hot Shoppes, now one division combining both service restaurants and cafeterias, registered good profit gains for '76. Several unprofitable units were sold or closed. Comparable units were up in both sales volume and profits. Innovative merchandising, including Sunday brunch at many locations and a program of senior citizen discounts in the cafeterias, increased both customer counts and check averages.

Dinner House profits were up materially in fiscal '76, on top of a good year in fiscal '75. This outstanding performance was achieved despite the addition of only one new restaurant during the year. Comparable unit margins were substantially improved thanks to good customer count trends and favorable prices for beef.

Fiscal 1977 will be our greatest year yet in expanding these highly popular restaurants. Another "Joshua Tree" was added in a new market area as '77 began, with initial customer counts exceeding anticipation. We expect to open several more dinner houses by year-end and look for another excellent performance from this exciting division.

Farrell's Ice Cream Parlour Restaurants had a most disappointing fiscal '76. Sales increased as a result of the 1975 expansion program and the addition of 11 units in fiscal '76. But the division was not profitable for the first time in 13 years of Farrell's operations.

When substantially higher operating costs

coincided with a 3% decline in customer counts at comparable units, profits dropped sharply. The softness in sales made us reluctant to raise prices to offset the effect of both a 10% increase in the Federal minimum wage and repeal of the tip credit allowance in California where almost one-fourth of all Farrell's units are located.

Also, some recently opened units in new regional shopping centers turned in disappointing sales performances due, in part at least, to sluggish consumer traffic in the malls themselves.

Several senior management changes were made in Farrell's during the year, and a number of methods changes and improved controls are being effected to reduce operating costs. New menus designed to strengthen food sales by emphasizing quality and variety are now under formal test in several units and have had encouraging preliminary results. New marketing programs are going into effect, and the entire staff resources of Restaurant Operations are being concentrated on the Farrell's problem.

Expansion has been halted as we work to turn the situation around. Farrell's has been a successful concept, and we expect to be showing better results in the second half of the new fiscal year.

Fairfield Farm Kitchens' external sales to the food service industry and to retail food chains rose sharply in '76. The quality, consistency and reliability of FFK's products have established the division as a fast-growing supplier to the food industry.

The division also continues its primary role as supplier to Marriott operations, and is at the center of a new corporate-wide program to improve purchasing and distribution efficiency through a more centralized and coordinated effort.

FFK has been transferred to the Corporate Services area, under Senior Vice President Fred Malek, and is now aligned with other staff support functions such as Architecture and Construction, and Corporate Procurement.

• • •

Each of our restaurant divisions has strong appeal in its particular market. The Group's product mix is extremely well balanced. We are confident of its ability to continue its outstanding annual compound growth rate in excess of 20%.

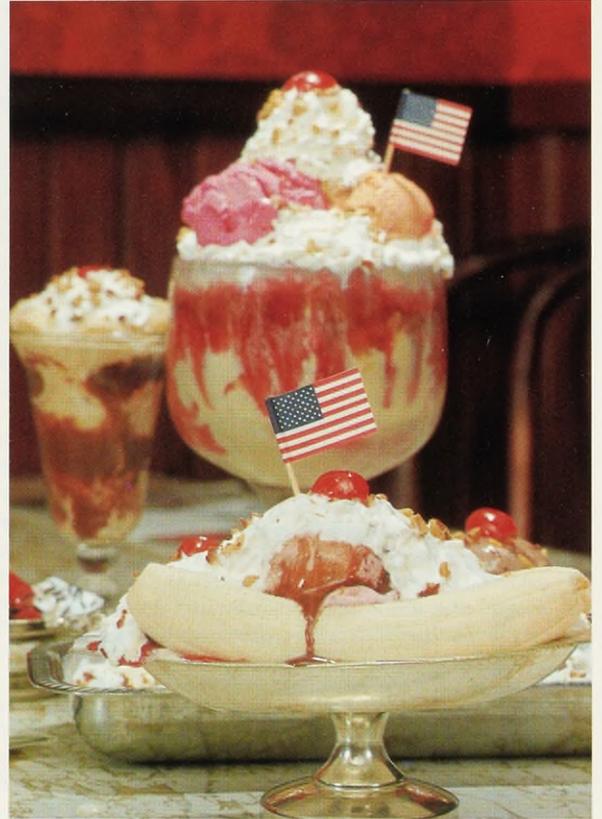
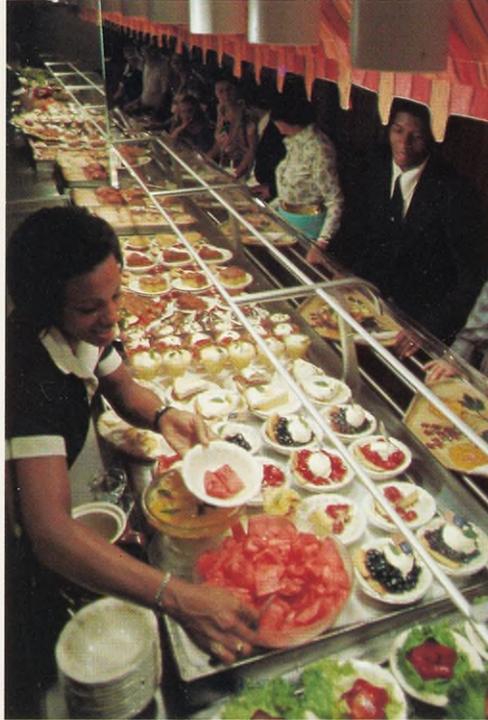


RESTAURANT UNITS
Five-Year Compound
Growth: **16.8%**

Big Boy Family Restaurants—
expanding East and West

Farrell's Ice Cream
Parlour Restaurants—
a great food experience

Hot Shoppes Cafeterias—
a whole new look



Phineas II—one of Marriott's
fine new dinner houses

Hot Shoppes Restaurants—
and their popular
Sunday Brunch



*Roy Rogers Family Restaurants—
with "The best of the fresh"*

Marriott Hotels Group: Outstanding Year from Higher Occupancy, Expansion



*James E. Durbin
President
Marriott Hotels*

Marriott Hotels had an excellent fiscal '76. Sales for the full Group increased 25%, and Group profits increased 22%. U.S. hotel profits were up more than 40% — for the largest percentage gain in six years. The outstanding domestic gains were based on strong profit improvement for our comparable hotels and for four new properties opened in fiscal '75. Occupancy system-wide closed the year up 5% — and was above the 80% mark; room rates increased 4%. Five new U.S. hotels with 1,340 rooms were added in fiscal 1976, increasing total rooms 8% to 14,510 at year-end.

Franchised Marriott Inns and Marriott World Travel also contributed to Group gains for the year. But international hotels were off from '75.

The Condominium division, which had an excellent '75, sold out virtually all of its units at Camelback Inn in the third quarter of fiscal '76. With no inventory available at Camelback and slow condominium sales at the Essex Towers in New York City, profits of this division trailed last year by \$1.5 million.

Marriott Hotels in the U.S. produced outstanding results for fiscal '76. Sales per man-hour advanced sharply under new productivity improvement programs.

Comparable hotels had a strong year. Properties in the "Bicentennial corridor" — including Washington, D.C., Philadelphia, Saddle Brook (N.J.) and Boston — did very well, though much of the anticipated East Coast Bicentennial tourism did not materialize. The Los Angeles Marriott had strong occupancy, completed amortizing its pre-opening costs, and is now a solid profit contributor. The Essex House in New York had its best year ever.

Only our hotel in downtown Atlanta, where major competitor hotels added 4,000 rooms during the year, experienced a sales decline in 1976. This is a well-accepted property, however, and it continues as one of our best profit producers.

We added five new hotels in fiscal '76 including three company-owned properties. Marriott-designed and constructed hotels opened in

suburban Atlanta and in Santa Clara, California adjacent to "Marriott's Great America." Also, the world-famous Biltmore Hotel in Santa Barbara, California was acquired. We assumed management responsibility for existing hotels in Springfield, Massachusetts and Tucson, Arizona.

In their first full year of operation, the four U.S. properties opened in 1975 improved profits by more than \$1.5 million after pre-opening costs. The Denver Hotel has surpassed expectations, and our Lincolnshire (Ill.) complex has established itself as a top resort/convention hotel in the Chicagoland market. Operations in Kansas City and Newport Beach have shown steady occupancy gains and should be good contributors in '77.

In fiscal 1976, development costs included a write-off of \$500,000 for discontinued projects. This was the second year in a row we have incurred write-offs of that magnitude—all as a part of our ROI improvement program.

Early in the new year, the company's management contract at Amelia Island, Florida was terminated. But we will add 1,000 new rooms in '77 including two new 300-room Marriott-managed hotels in Stamford, Connecticut and Houston.

Construction of a new Marriott hotel, to be a managed property, is proceeding in downtown Chicago. Financing arrangements for this 1,214-room hotel on North Michigan Avenue were completed at fiscal year-end. The hotel will open early in fiscal 1979.

Construction will begin in 1977 on a 430-room addition to the New Orleans Marriott and on a 300-room hotel in Bethesda, Maryland. Both projects are scheduled for completion in late fiscal 1978.

Marriott hotels outside the United States had mixed performances in '76. Good results at Amsterdam were offset by profit declines at our properties in Mexico, where tourism softened due to a substantial reduction in travelers from the U.S. and Canada.

In the fall of 1976, results at Sam Lord's Castle in Barbados should improve with the opening of 144 new rooms.

We are pleased with the continued customer acceptance of our 48 Marriott hotels, resorts, and franchised Inns. Hotel



GROUP SALES (in millions)
Five-Year Compound
Growth: **21.3%**

development represents a significant opportunity for further growth. We are actively seeking new management opportunities, sites and possible hotel acquisitions that meet our marketing goals and stringent requirements for high return on investment. Nevada, a strong hotel and tourism market, is among states under consideration. A serious study of this and other markets and their potential impact on us was underway as '77 began.

Franchised Marriott Inns turned in another substantial improvement in '76. The 13th Inn, with 244 rooms, was added in Providence bringing the total number of franchised rooms to 3,085. In fiscal '77, the Pittsburgh Inn will add 230 rooms to become the system's largest franchised property. Early in the following year, two new Inns will open in Syracuse and near Cleveland.

Condominium sales and profits declined in fiscal '76 as available inventory was virtually sold out at famous Camelback Inn in Arizona and because of disappointing sales at New York's Essex Towers.

The Camelback program was successfully completed with the sale of 96 units (versus 100 the previous year). Also, contracts have been written for 5 additional units now under construction. In all, 407 units will have been sold. Marriott continues to manage these 5-Star accommodations.

Six condominium units (14 rooms) were sold at the Essex Towers on Central Park South during the second year of this program. Sales to corporate buyers did not materialize as anticipated although marketing efforts had been stepped up in '76. Costs will be trimmed in '77, but sales and leasing opportunities will continue to be explored.

Marriott World Travel was profitable in each quarter of fiscal '76 and ended the year solidly in the black after breaking even last year. The travel bureau, based in Washington, provides a service to corporate and individual travelers, and facilitates arranging group trips to Marriott properties through wholesalers.



NUMBER OF ROOMS
Five-Year Compound
Growth: **16.7%**



*New Marriott Hotel
at Perimeter Center in
suburban Atlanta*

*Luxury Essex Towers—
offering exclusive
condominiums on
Central Park South in
New York City*



*Santa Barbara Biltmore
in California — famous
addition to Marriott
hotel system*



*New Santa Clara (Cal.)
Marriott Hotel at
"Great America"
theme park*



Business and Professional Services Group: Fast Finish for Gain at Year-End



*Jerald O. Jarrard
President, Business and
Professional Services*

Business and Professional Services, the contract food service arm of Marriott, overcame some major obstacles in fiscal '76 and did better than expected. In-Flite Services, the mainstay of the Group catering 120 airlines from 63 kitchens, was a star performer. It rebounded strongly in the second half of the year as domestic and international airline traffic picked up sharply. Year-to-year comparisons for the Group as a whole suffered from the deliberate disposition of 18 Italian units in mid-fiscal '75, and from the termination of our management agreement for 8 restaurants on the New York Thruway in mid-'76. Gains were also held back by costs incurred to improve the marketing position of our Food Service Management organization and by losses in the small Security Services division.

At year-end, sales for the Group had increased 8% over fiscal '75, and profits were up 3%. But excluding the effect of discontinued operations, year-to-year gains in sales stood at 13% with profits up 14%.

North American In-Flite Services began to show steady gains in the second quarter—a full quarter sooner than forecast. Airline passenger counts climbed, increasing our sales. We attracted new accounts to existing facilities and opened 3 new kitchens in West Palm Beach, Orlando and Denver. Much-needed price relief was obtained after In-Flite had absorbed increased operating costs in fiscal '75.

At the start of fiscal '77 we opened a new kitchen at Atlanta, the world's second busiest airport, to serve Eastern Air Lines. This is our largest single-account flight kitchen anywhere, and it will make a major contribution to future results.

We are gratified by U.S. In-Flite's sales increase of 16% for fiscal '76. Its five-year compound annual growth rate of 14.5% is almost triple that of the growth in passenger enplanements (see chart).

"Special services"—meeting non-airline food service needs with In-Flite's professional management, culinary expertise and kitchen capacity—made more progress in fiscal '76 as a source of new sales. In-Flite Services is aggressively marketing the services of its flight kitchens in 25 major metropolitan U.S. cities to a variety of potential mass-feeding customers.

International In-Flite Services showed marked improvement in '76 despite the loss of sales from the

Italian units that were disposed of in the preceding year, and currency devaluation that cost the division some \$340,000 more in fiscal '76 than in '75.

Most of the international gains were provided by operating efficiencies in South America. This was a major accomplishment as widespread devaluations plagued South American operations throughout the year.

In Europe, excluding the effect of the Italian dispositions, results improved slightly, but were penalized by large government-directed wage increases and devaluation.

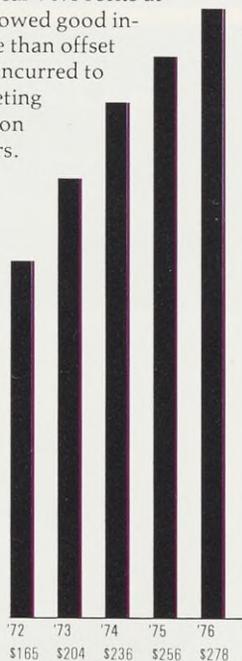
The outlook for international operations in '77 is good. In the first quarter of the new year we sold our 90% interest in the Athens flight kitchen, eliminating a marginal profit contributor. Our other European operations should achieve good gains in the new year as international air travel continues to pick up.

Airline Terminal and Highway Restaurants had mixed results in fiscal '76. Terminal operations improved profits for the fourth consecutive year, and we continue to be optimistic about the growth potential of this division. Several proposals for contracts at various airports were in preparation as the new fiscal year began.

Highway Restaurants experienced unfavorable year-to-year profit comparisons after our contract to operate 8 units on the New York Thruway was not renewed. The loss of those sales at mid-year will also affect the first half of fiscal '77. Satisfactory results from 8 other units moderated the impact of the canceled contract.

Food Service Management sales increased strongly in fiscal '76. Profits at the operating level showed good increases but were more than offset by costs deliberately incurred to launch a major marketing campaign for expansion in 1977 and later years.

BUSINESS FOOD SERVICE added 20 new locations during the year for such major corporate clients as American Express and Kodak in New



GROUP SALES (in millions)
Five-Year Compound Growth: **14.7%**

York City, Exxon in Houston and Nabisco in New Jersey. In Detroit at the large new American Center, we designed and are now providing food service for three facilities in the American Motors headquarters.

INSTITUTIONS FOOD SERVICE for health care and educational clients took on several new accounts across the nation in fiscal '76. More than a dozen major hospitals were added in cities such as Richmond (Va.), New Orleans and Miami. Service began for three more educational institutions, including Georgetown University.

Security Systems was not profitable in '76. A combination of disappointing sales, the write-off of some receivables and the weeding out of poor contracts had a negative impact on the division. A major management change was completed during the year and administrative expenses were cut sharply. Entering fiscal '77, several alternative plans were being studied to eliminate losses.

• • •

It is on the base of a good second half momentum for In-Flite and a strong, new Food Service Management organization that the Business Group enters fiscal '77. Domestic and international airline traffic is continuing to gain. Overseas flight kitchens are off to a good start. Food Service Management will benefit from \$12 million in annualized new sales added during the course of '76, with more coming in '77.

**FIVE-YEAR GROWTH:
MARRIOTT U.S. IN-FLITE
VS. INDUSTRY
ENPLANEMENTS**

Marriott Compound Sales Growth: **14.5%**

Industry Compound Passenger Growth: **5.0%**

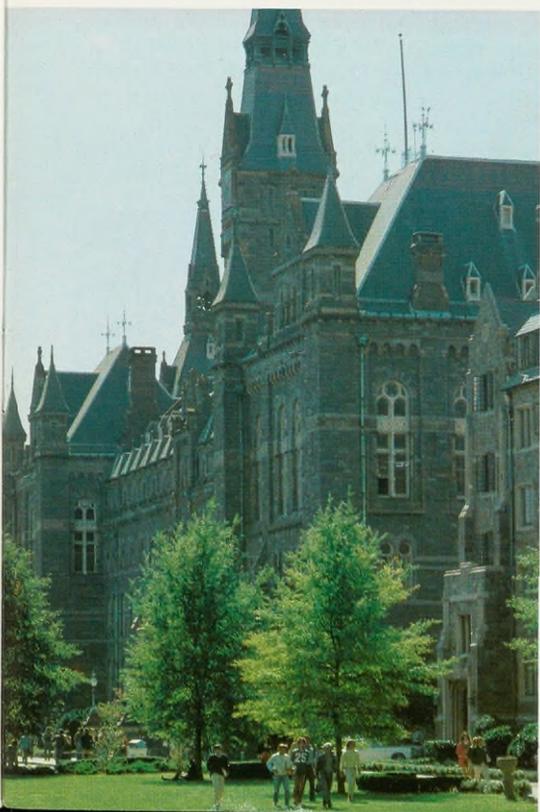


■ U.S. In-Flite Sales (in millions)
■ Passenger Enplanement Growth
(Domestic scheduled airlines for 12-month periods ended June 30.)



Marriott In-Flite: Pioneer in serving the jets of the 50's and 60's and jumbo jets of the 70's—and now, the supersonic Concorde (Air France—top); and continuing to serve America's great airlines—including Eastern, Western, and TWA, with its gourmet L-1011 table setting





Food Service Management grows in many markets: St. Anthony's Hospital in Amarillo (top), American Motors' new corporate headquarters near Detroit, Georgetown University in Washington, D.C.

Sun Line Cruises: Major Turn-Around in '76; Good Year Ahead



*Frederic V. Malek
Senior Vice President*

Sun Line Cruises experienced a very significant turn-around in fiscal '76, reducing losses 80% after a difficult 1975. The division made a little money in the fourth quarter and finished the year with high occupancies and excellent prospects for the year ahead.

The cruise market began to improve markedly during 1976 with a stronger domestic economy and a sharp gain in tourism to Greece. In addition, Sun Line was able to increase its share of both the Greek and Caribbean cruise markets by developing new and strengthened sales and marketing teams in the U.S. and Europe. We also repositioned our ships in the Caribbean and Mediterranean to better differentiate our product and to provide unique itineraries and ports of departure that are well suited to the advantages of our ships.

Aggressive marketing promotions and positive sales incentives that should generate increased travel agent support and attract additional passengers have been implemented. And Sun Line has established strong alliances with the major travel wholesalers in the U.S. and Europe.

We also have new financial and sales controls and reduced overhead costs. Among developments which should further improve results for fiscal '77 are an eight-month charter contract for the Stella Oceanis and a joint venture agreement with a strong local partner for the placement of our idle ship, the Stella Polaris. If the agreement is concluded, the Polaris will be used as a Marriott-managed hotel ship in the Middle East. And Sun Line will be relieved of carrying costs for that idle asset.

The cruise ship division expects good profits for fiscal '77 and an even better year in fiscal '78.



Luxury Stella Solaris—cruising the Mediterranean

ROI, Debt -to -Equity Ratios Improve; Cash Flow Continues to Climb



Robert E. Koehler
Senior Vice President
Finance

Fiscal 1976 was an outstanding year. It included successful opening of two "Great America" theme parks, turn-around of Sun Line operations, the successful sale of 1,250,000 shares of common stock, and significant improvement in balance sheet and return on investment ratios.

Net income increased 41% to \$30,845,000 as the company established both sales and profit records for each quarter and returned to its long-term annual growth trend objective of 15% to 20%.

Productive assets (working capital, fixed and other assets) increased 35% to nearly \$700 million providing a broad and expanded base for future growth and profitability and positioning the company to reach the \$1 billion sales mark in fiscal 1977, its 50th anniversary year.

Return on Investment Increases

Return on beginning shareholders' investment increased from 9.6% in fiscal 1975 to 12.2% in fiscal 1976. Marriott's long-term program to increase return on investment through emphasis on management of hotels and redeployment of idle or low-yielding assets received several important boosts during the year.

The company successfully closed joint venture agreements to manage a 1,214-room convention hotel in downtown Chicago and a 430-room expansion of the New Orleans Marriott. These projects will contribute major high-return profits in fiscal 1979 immediately after scheduled completion. In addition, Marriott commenced the operation under management contract of hotels in Tucson, Arizona and Springfield, Massachusetts.

Also, negotiations are nearing completion to joint venture the conversion and operation of the idle cruise ship, the Stella Polaris, as a hotel in the Middle East. This, along with the disposal of our Athens flight kitchen in the first quarter of fiscal 1977, is a major achievement in our asset redeployment program.

Improvement in return on assets is expected to continue into the 1980's. As a result of the significant increase in the equity base due to the recent stock issue, return on shareholders' investment will level in fiscal 1977 and renew its upward trend in fiscal 1978.

Discretionary Cash Flow Strength Continues

Marriott continues to demonstrate and strengthen its base as a "cash-flow" company. Cash flow from

operations increased \$17 million to \$87.5 million in fiscal 1976 and is expected to exceed \$100 million in fiscal 1977 marking almost two decades of uninterrupted cash-flow growth.

Debt maturities for the next five fiscal years ending in 1981 amount to only \$83 million—less than cash flow from operations for fiscal 1976:

Debt Maturity Schedule			
At Fiscal Year-end (\$ Millions)			
Year	1976	1975	1974
1	10.1	11.4	12.8
2	17.7	14.7	18.7
3	18.2	14.1	14.8
4	19.1	20.3	27.7
5	18.0	23.9	27.2
	<u>83.1</u>	<u>84.4</u>	<u>101.2</u>
Cash Flow From Operations	<u>87.5</u>	<u>70.3</u>	<u>63.6</u>

Balance Sheet Improves

Increased cash flow, reduced capital expenditures and a 1,250,000-share equity offering combined to improve significantly the senior debt to total capitalization ratio from 54% in fiscal 1975 to 50% in fiscal 1976.

On February 19, 1976, the company successfully offered to the public 1,250,000 shares of common stock at a price of \$18.375 per share. Net proceeds from this, the company's first equity issue since fiscal 1971, were \$21.8 million.

Capital expenditures declined as expected to \$143 million in fiscal 1976 from the record \$159 million expended in fiscal 1975. These expenditures were financed primarily from \$87.5 million in cash flow from operations with the remainder provided from \$30 million in new equity and

\$27 million in new long-term financing.

With the recent completion of the theme parks, capital expenditures are expected to decline to approximately \$115 million in fiscal 1977 and will be financed principally through internally generated funds.

Impact from "Great America"

The "Great America" theme parks will add significantly to 1977 results in their short operating season which falls in our 1st and 4th fiscal quarters. Almost all costs are allocated to the operating days, except for corporate administration and interest expense on this substantial investment. These costs are charged all year long, including the 2nd and 3rd fiscal quarters when the parks are closed. The result will be a shift in Marriott's quarterly results; instead of making half our net income in the 1st and 4th quarters, we expect in 1977 and future years to achieve as much as 60% of annual net income in those warm season quarters.

Stock Information

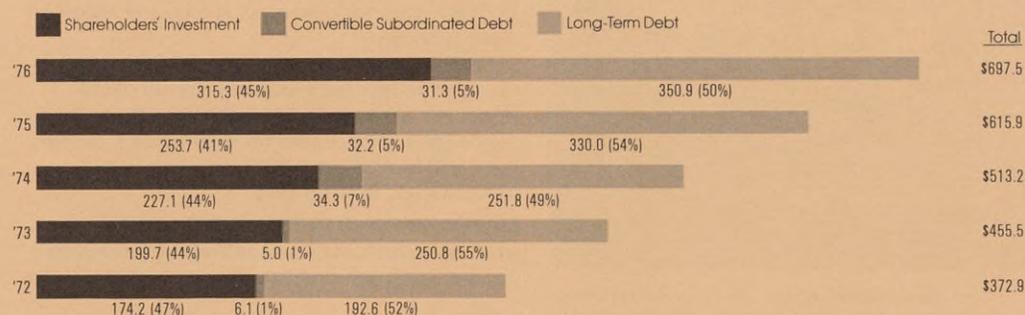
The board of directors declared a 2.5% stock dividend in March of 1976. The board has authorized a stock distribution, in the form of stock splits and/or dividends, every year since 1957.

The range of Marriott common stock prices by quarter for fiscal 1976 and 1975 is as follows:

	1976 Quarters		1975 Quarters	
	High	Low	High	Low
1st	13-1/8	10-1/8	1st 17-1/2	7-7/8
2nd	17	12-1/4	2nd 10-1/8	6
3rd	18-5/8	15-7/8	3rd 16-1/4	9
4th	16-3/4	13-1/4	4th 16-1/2	11

Marriott common stock (MHS) is listed on the New York, Pacific, Midwest and Philadelphia Stock Exchanges. Call options are traded on the Philadelphia Exchange.

INVESTED CAPITAL (In \$ millions)



SALES & OPERATING PROFITS BREAKDOWN

Contributions by Principal Lines of Business

*Fiscal Years Ended in July
(Dollars in Millions)*

	1976		1975		1974		1973		1972	
	<i>(53 Weeks)</i>		\$	%	\$	%	\$	%	\$	%
	\$	%								
SALES										
Restaurant Operations	299.2	34	253.1	34	203.7	32	165.4	31	134.3	32
Business and Professional Services	278.1	31	256.4	35	236.2	37	204.0	38	164.9	39
Hotels and Related Operations	269.6	30	216.5	30	190.4	30	161.9	30	120.1	28
Theme Parks	36.0	4	—	—	—	—	—	—	—	—
Cruise Ships	7.5	1	6.4	1	10.1	1	6.9	1	3.6	1
Total Sales	<u>890.4</u>	<u>100</u>	<u>732.4</u>	<u>100</u>	<u>640.4</u>	<u>100</u>	<u>538.2</u>	<u>100</u>	<u>422.9</u>	<u>100</u>
OPERATING PROFIT										
Restaurant Operations	15.1	32	14.2	40	12.9	34	8.9	29	7.6	28
Business and Professional Services	14.5	31	14.0	39	13.1	34	10.5	33	9.8	36
Hotels and Related Operations	15.9	34	13.0	37	13.7	36	11.7	37	9.4	34
Theme Parks	2.4	5	—	—	—	—	—	—	—	—
Cruise Ships	(1.0)	(2)	(5.8)	(16)	(1.6)	(4)	0.2	1	0.5	2
Total Operating Profit	<u>46.9</u>	<u>100</u>	<u>35.4</u>	<u>100</u>	<u>38.1</u>	<u>100</u>	<u>31.3</u>	<u>100</u>	<u>27.3</u>	<u>100</u>
Non-Operating Income	<u>4.9</u>		<u>3.0</u>		<u>4.0</u>		<u>4.3</u>		<u>3.3</u>	
Income Before Income Taxes	<u>51.8</u>		<u>38.4</u>		<u>42.1</u>		<u>35.6</u>		<u>30.6</u>	

() Indicates loss

Operating profit reflects the allocation of administrative, advertising and other overhead costs, including an imputed rent charged on owned real estate and ships. It does not include financial and non-operating items such as imputed and actual rent profit on owned real estate; interest expense less interest income; capital gains; and franchise taxes, donations and other miscellaneous items which are reported as non-operating income.

The above figures include results of operating units outside the United States. Relative contributions of foreign operations to total consolidated sales and operating profit were respectively, 8% and 1% in 1976, 10% and (10%) in 1975, 11% and 8% in 1974, 10% and 11% in 1973, and 9% and 13% in 1972.

1976 Compared to 1975

The many factors that affected fiscal 1976 results in comparison with the depressed prior year are discussed in preceding pages of this Annual Report.

In summary, the major contributors to our 32% gain in operating profits were the \$4.8 million turn-around in Sun Line cruise operations, higher occupancy rates at U.S. hotels, increased airline catering sales in the second half of 1976, excellent results in four of the five major restaurant divisions and the successful opening of two "Great America" theme parks. The increase in non-operating income resulted primarily from imputed rent charged to the theme parks and other operations on owned real estate. Net capital gains were less than \$400,000 in both years.

The increases in costs and expenses were generally the result of increases in sales, operating units and employees. The only expense that increased at

a significantly faster rate than sales was advertising and sales promotion—up 53% as a result of a continuation of the expanded marketing program initiated by the Hotels Group in fiscal 1975 and because of promotion for the two theme parks opened during 1976.

The Company's effective net income tax rate decreased from 43.2% to 40.4% primarily because the investment tax credit accrued for the two theme parks offset a slight increase in the gross tax rate provision from 50.9% to 51.8%.

1975 Compared to 1974

Sales increased 14% because of an increase in operating units, higher prices and higher customer counts in some restaurant operations. Combined operating profits of the three principal operating Groups (excluding Sun Line) increased moderately

Sales and Earnings by Quarter

(In Thousands, Except Per Share)

Quarter	1976 (53 weeks)			Quarter	1975 (52 weeks)		
	Sales	Net Income	Per Share		Sales	Net Income	Per Share
1st	\$187,993	\$ 7,381	\$.22	1st	\$165,577	\$ 6,597	\$.20
2nd	242,855	6,869	.20	2nd	209,123	4,603	.14
3rd	203,939	7,587	.22	3rd	174,668	5,448	.16
4th*	255,616	9,008	.26	4th	183,028	5,170	.16
Totals	\$890,403	\$30,845	\$.90	Totals	\$732,396	\$21,818	\$.66

* Fourth Quarter 1976 includes 13 weeks; fourth quarter 1975 includes 12 weeks.

in 1975, but consolidated net income declined by 12%—primarily because:

1. The Company's cruise ship operations lost \$5.8 million before income taxes, reducing net income by \$3.7 million, or \$2.7 million more than the cruise ship loss in fiscal 1974. The loss resulted from: (a) the loss of cruise business due to the Greek-Turkish war in Cyprus, the increased cost of air fares to Europe and the 1974-1975 economic recession; (b) the effects of substantially increased fuel prices; and (c) significantly increased marketing expenses including non-recurring losses incurred in an unsuccessful joint venture program.

2. Certain costs and expenses increased at a significantly faster rate than sales. Advertising and sales promotion expenses increased 46% due to aggressive marketing of existing and new units by the Hotels and Restaurant Operations Groups and the cruise ship marketing efforts. Pre-opening and development expenses increased 36% because of new unit openings and the write-off of approximately \$500,000 in development expenses for six hotel projects which were discontinued because their projected return failed to meet the Company's criteria for profitability. The increase in other operating costs and expenses was

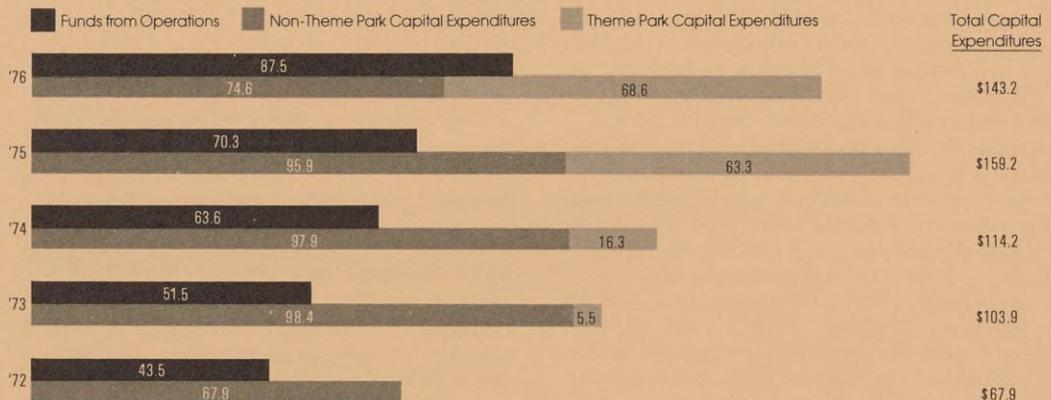
primarily the result of increased sales and operating units.

3. Non-operating income before income taxes declined approximately \$1 million from the prior year principally because in 1975 the Company incurred a \$400,000 loss on the disposition of its controlling interest in 18 Italian In-Flite units (annual sales of \$15,000,000 in fiscal 1974) whereas in 1974 there was a gain of \$800,000 on the disposal of excess land in Toronto.

4. Net interest expense increased 12%. Total interest cost, including interest capitalized, increased 33% in 1975 due to the \$93 million increase in debt, incurred primarily to finance corporate expansion including theme park construction. This also accounts for the increase in capitalized interest from \$5,144,000 in 1974 to \$10,353,000 in 1975.

5. The Company's effective gross income tax rate increased from 46.2% to 50.9% in 1975 due largely to the impact on consolidated net income of foreign operating losses for which no tax benefits were accrued. However, investment tax credits were substantially greater in 1975 as a result of the completion of four new hotels in the United States.

CAPITAL EXPENDITURES AND FUNDS FROM OPERATIONS (in \$ millions)



Consolidated Income

<i>Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 30, 1976 and July 25, 1975</i>	1976 (53 weeks)	1975 <i>(52 weeks)</i>
Sales by Operating Groups		
Restaurant Operations	\$299,244,000	\$253,096,000
Business and Professional Services	278,135,000	256,421,000
Hotels and related operations	269,573,000	216,512,000
Theme Parks	35,975,000	—
Cruise Ships	7,476,000	6,367,000
Total sales	890,403,000	732,396,000
Costs and Expenses		
Cost of sales and operating expenses	647,044,000	533,222,000
Administrative and general expenses	35,023,000	31,469,000
Rent	34,146,000	30,427,000
Depreciation and amortization of property and equipment	36,119,000	30,637,000
Taxes—payroll, real estate and other	35,929,000	28,455,000
Interest cost	31,187,000	28,328,000
Less interest capitalized	(10,432,000)	(10,353,000)
Advertising and sales promotion expenses	18,858,000	12,289,000
Pre-opening and development expenses	6,183,000	5,911,000
Profit sharing retirement contributions	4,582,000	3,604,000
	838,639,000	693,989,000
Income Before Income Taxes	51,764,000	38,407,000
United States and Foreign Income Taxes		
Current—U.S. and State	10,164,000	7,961,000
— Foreign	2,536,000	1,889,000
Deferred	14,119,000	9,714,000
Investment tax credit—Theme Parks	(3,250,000)	—
— Other	(2,650,000)	(2,975,000)
	20,919,000	16,589,000
Net Income	\$ 30,845,000	\$ 21,818,000
Earnings Per Share of Common Stock	\$.90	\$.66

The accompanying notes are an integral part of this statement.

Consolidated Balance Sheet

<i>Marriott Corporation and Subsidiaries July 30, 1976 and July 25, 1975</i>	1976	1975
ASSETS		
Current Assets		
Cash and certificates of deposit	\$ 17,760,000	\$ 18,318,000
Marketable securities, at cost (approximates market)	2,993,000	6,490,000
Accounts receivable	50,293,000	43,588,000
Inventories, at lower of average cost or market	35,504,000	27,667,000
Prepaid expenses	7,580,000	4,492,000
Total current assets	<u>114,130,000</u>	<u>100,555,000</u>
Lincolnshire Hotel net assets under sale/leaseback agreement	—	7,282,000
Property and Equipment, at cost		
Land	73,784,000	58,932,000
Buildings and improvements	270,686,000	174,053,000
Leasehold improvements	198,280,000	165,742,000
Furniture and equipment	228,401,000	164,967,000
Cruise Ships	11,367,000	11,219,000
Land and ship purchased for future operations or resale	37,610,000	33,262,000
Construction in progress— Theme Parks	—	72,751,000
— Other projects	16,483,000	25,293,000
	<u>836,611,000</u>	<u>706,219,000</u>
Depreciation and amortization	<u>(155,218,000)</u>	<u>(128,169,000)</u>
	<u>681,393,000</u>	<u>578,050,000</u>
Other Assets		
Cost in excess of net assets of businesses acquired	18,656,000	18,960,000
Investments in and advances to affiliates	10,467,000	11,557,000
Deferred pre-opening costs— Theme Parks	2,186,000	1,792,000
— Other projects	3,202,000	3,844,000
Other	14,192,000	14,470,000
	<u>48,703,000</u>	<u>50,623,000</u>
	<u>\$844,226,000</u>	<u>\$736,510,000</u>

The accompanying notes are an integral part of this balance sheet.

	1976	1975
LIABILITIES AND SHAREHOLDERS' INVESTMENT		
Current Liabilities		
Short term loans	\$ 2,989,000	\$ 2,752,000
Accounts payable	41,503,000	33,111,000
Accrued liabilities	43,653,000	37,843,000
Current portion of debt	10,119,000	11,424,000
Total current liabilities	<u>98,264,000</u>	<u>85,130,000</u>
Debt, excluding convertible subordinated debt		
Interim construction financing	16,000,000	4,948,000
Mortgage notes payable	219,906,000	207,135,000
Unsecured notes payable	115,022,000	117,941,000
	<u>350,928,000</u>	<u>330,024,000</u>
Deferred Income Taxes	<u>47,343,000</u>	34,514,000
Other Liabilities	<u>1,007,000</u>	866,000
Convertible Subordinated Debt	<u>31,340,000</u>	32,240,000
Shareholders' Investment		
Common stock	35,567,000	32,507,000
Capital surplus	212,250,000	169,974,000
Net deferred compensation payable in common stock	3,952,000	3,256,000
Retained earnings	63,575,000	47,999,000
Total shareholders' investment	<u>315,344,000</u>	<u>253,736,000</u>
	<u>\$844,226,000</u>	<u>\$736,510,000</u>

Consolidated Changes in Financial Position

<i>Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 30, 1976 and July 25, 1975</i>	1976 (53 weeks)	1975 (52 weeks)
Sources of Funds		
Net income	\$ 30,845,000	\$ 21,818,000
Add expenses not requiring current outlay of working capital—		
Depreciation and amortization of property and equipment	36,119,000	30,637,000
Deferred income taxes	14,119,000	9,714,000
Cost of condominium units sold	1,737,000	4,260,000
Other	4,723,000	3,891,000
From operations	<u>87,543,000</u>	<u>70,320,000</u>
New financing—		
Mortgages and notes	49,271,000	122,892,000
Interim construction financing, net change	11,052,000	(20,412,000)
Maturities and prepayments of mortgages and notes (deduct)	<u>(40,319,000)</u>	<u>(26,299,000)</u>
	<u>20,004,000</u>	<u>76,181,000</u>
Lincolnshire Hotel—		
Sale/leaseback, net assets	7,282,000	—
Mortgage assumed by purchaser	—	17,000,000
From financing	<u>27,286,000</u>	<u>93,181,000</u>
Common stock issued	30,135,000	4,523,000
Disposals of property and equipment	7,890,000	6,824,000
Total sources	<u>152,854,000</u>	<u>174,848,000</u>
Applications of Funds		
Additions— Theme Park property and equipment	68,573,000	63,273,000
— Other property and equipment	74,662,000	95,905,000
Acquisition of Santa Barbara Hotel	5,425,000	—
Acquisitions of businesses	699,000	2,850,000
Investments in and advances to affiliates	(931,000)	838,000
Other	3,985,000	11,075,000
Total applications	<u>152,413,000</u>	<u>173,941,000</u>
Increase in Working Capital	<u>\$ 441,000</u>	<u>\$ 907,000</u>
Summary of Changes in Working Capital		
Increase (decrease) in current assets		
Cash and marketable securities	\$ (4,055,000)	\$ 1,027,000
Accounts receivable	6,705,000	(3,102,000)
Inventories	7,837,000	369,000
Prepaid expenses	3,088,000	1,226,000
(Increase) decrease in current liabilities		
Short term loans	(237,000)	1,011,000
Accounts payable and accrued liabilities	(14,202,000)	(1,042,000)
Current portion of debt	1,305,000	1,418,000
Increase in Working Capital	<u>\$ 441,000</u>	<u>\$ 907,000</u>

The accompanying notes are an integral part of this statement.

Consolidated Shareholders' Investment

<i>Marriott Corporation and Subsidiaries for the Fiscal Years Ended July 30, 1976 and July 25, 1975</i>	<i>Common Stock (\$1.00 par value)</i>	<i>Capital Surplus</i>	<i>Net Deferred Stock Compensation</i>	<i>Retained Earnings*</i>
Balance, July 26, 1974	\$31,183,000	\$155,113,000	\$2,891,000	\$37,923,000
Acquisition of companies	179,000	(10,000)	—	112,000
Net income	—	—	—	21,818,000
Common stock issued—				
2½% Stock dividend at market	790,000	11,064,000	—	(11,854,000)
Employee stock purchase plan	138,000	1,137,000	—	—
Contribution to profit sharing plan	200,000	2,767,000	—	—
Deferred stock compensation plans and stock issuance expenses	17,000	(97,000)	365,000	—
Balance, July 25, 1975	\$32,507,000	\$169,974,000	\$3,256,000	\$47,999,000
Acquisition of companies and land	82,000	447,000	—	(73,000)
Net income	—	—	—	30,845,000
Common stock issued—				
Public offering	1,250,000	20,535,000	—	—
2½% Stock dividend at market	865,000	14,331,000	—	(15,196,000)
Employee stock purchase and stock option plans	588,000	3,391,000	—	—
Contribution to profit sharing plan	260,000	3,655,000	—	—
Deferred stock compensation plans and stock issuance expenses	15,000	(83,000)	696,000	—
Balance, July 30, 1976	\$35,567,000	\$212,250,000	\$3,952,000	\$63,575,000

* 1974 and 1975 balances restated for the retroactive effect of accounting change for recognizing foreign exchange adjustments.

The accompanying notes are an integral part of this statement.

Auditors' Report

To the Shareholders of Marriott Corporation:

We have examined the consolidated balance sheet of MARRIOTT CORPORATION (a Delaware corporation) and Subsidiaries as of July 30, 1976, and July 25, 1975, and the related statements of consolidated income, shareholders' investment and changes in financial position for the fiscal years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of Marriott Corporation and Subsidiaries as of July 30, 1976, and July 25, 1975, and the results of their operations and changes in their financial position for the fiscal years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

ARTHUR ANDERSEN & CO.

Washington, D.C.,
September 7, 1976.

Notes to Consolidated Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation:

The consolidated financial statements include accounts of the Company and all subsidiaries. Investments in companies representing 20% to 50% interests are accounted for under the equity method. All material intercompany transactions and balances have been eliminated.

Foreign Operations:

The consolidated financial statements include net assets of foreign subsidiaries of \$23,549,000 at July 30, 1976 and \$25,688,000 at July 25, 1975, after deducting intercompany loans of \$16,562,000 and \$17,930,000, respectively. Foreign sales and net income (loss) after interest, intercompany charges and foreign tax, as a percent of consolidated sales and net income were 8% and 5% in 1976 and 10% and (1)% in 1975, respectively.

Financial statements of foreign subsidiaries are translated into U.S. dollars in accordance with the provisions of Financial Accounting Standards Board (FASB) Statement No. 8. Translation losses of \$471,000 in 1976 and \$206,000 in 1975 have been included in the determination of net income.

In accordance with the requirements of FASB Statement No. 8, the financial statements for 1973 have been restated to charge net income for \$629,000 (\$.02 per share) for foreign exchange adjustments resulting from the translation of construction loans. This amount had previously been added to buildings and improvements.

Theme Parks:

The consolidated financial statements include operating results of the two "Great America" theme parks which opened for their initial season in March and May, 1976. In the opinion of management the operating results for this initial period in fiscal 1976 are not necessarily indicative of future operating performance because of the impact of short term variations, the incurrence of initial start-up costs and because the results include charges for interest, depreciation and real estate taxes only since the opening of the parks.

The theme parks operate primarily during the summer season. Operating costs incurred during the off-season are deferred (included in prepaid expenses). Deferred costs and annual depreciation are charged to expense during the operating season based on the number of operating days. Interest and general and administrative costs are expensed as incurred.

Condominium Sales:

Sales of condominium units are recorded when

both parties are bound by sales contracts and all conditions precedent to closing have been performed, including receipt of appropriate down payments. The Company had condominium sales of \$6,594,000 in 1976 and \$7,379,000 in 1975.

Royalty and Franchise Fees:

Royalty fees are accrued on a monthly basis. Initial franchise fees are not significant.

Property and Equipment:

Depreciation and amortization are calculated on the straight-line method for financial statement purposes based on the following lives:

Buildings and improvements	— 25 to 45 years
Leasehold improvements	— Shorter of life of lease or asset
Furniture and equipment	— 2 to 15 years
Cruise ships	— 20 years

Maintenance and repairs are expensed. New unit costs include interest, rent charges and real estate taxes incurred during construction. Replacements and improvements, including most costs of converting units, are capitalized.

Upon sale or retirement of property and equipment (excluding normal sales or retirements of theme park rides and equipment or alarm systems), the costs less accumulated depreciation and salvage are charged or credited to income. Theme park rides and equipment and alarm systems are depreciated under the composite method and no gain or loss is recognized on normal sales or retirements.

Land and Ship Purchased for Future Operations or Resale:

In connection with the development of properties, the Company has acquired land and a ship to be used for future operations and/or for eventual resale. Carrying costs are capitalized on the land to the extent that estimated realizable value exceeds land and accumulated carrying costs. The Company is currently pursuing the possible use of the idle ship as a hotel in the Middle East; carrying costs are being expensed as incurred.

Cost in Excess of Net Assets of Businesses Acquired:

Of the cost in excess of net assets of businesses acquired, \$12,936,000 relates to acquisitions prior to October 31, 1970 (at which time amortization became mandatory) and is not being amortized because in the opinion of management, it has continuing value. The remaining \$5,720,000 at July 30, 1976 and \$6,024,000 at July 25, 1975 is being amortized over periods of up to 40 years.

Deferred Costs:

Costs incurred prior to opening are deferred and amortized over three years for hotels, five years for theme parks and one year for other major operations. Similar costs for all other operations are expensed as incurred.

Issuance costs on long term debt are deferred and amortized over the repayment term. Costs of developing data processing systems and research

and development costs, including those related to the theme parks, are expensed as incurred.

Construction Financing and Interest Capitalized:

Interest cost is capitalized as part of construction costs or carrying costs of land purchased for future operations or resale to properly reflect the total costs of property. Interest is capitalized by applying the effective interest rate on the related borrowings to the balance of costs incurred. If all interest had been expensed when incurred, net income as reported would have been reduced by \$4,375,000 in 1976 and \$4,402,000 in 1975. See "DEBT" for description of accounting for construction financing.

Income Taxes:

United States and foreign income taxes are based on reported income. Deferred income taxes are provided for timing differences between book and taxable income, principally depreciation, interest and stock compensation.

Investment tax credits are accounted for using the "flow-through" method.

Provision for United States taxes has not been made on unremitted earnings of foreign subsidiaries because management considers these earnings to be permanently invested.

Deferred Management Stock Compensation:

Compensation for deferred stock bonus awards is recorded in the year in which the bonus is earned, adjusted for anticipated forfeitures, and is based on quoted market price at the date awarded.

Computations of Earnings Per Share:

Earnings per share of common stock are based on the weighted average number of shares outstanding during each year (adjusted for stock dividends and stock splits), which was 34,363,515 for 1976 and 33,084,134 for 1975. Distribution of shares reserved would not have a material effect on earnings per share.

INVESTMENTS

The Company has a 49% interest, with an option to purchase the remaining 51% after 1985, in a limited partnership which owns the New Orleans Marriott Hotel. The hotel is leased to the Company for 55 years including renewal options, with rentals based solely on profits. At July 30, 1976, the partnership had total assets of \$31,653,000 and total liabilities of \$27,348,000. The Company has guaranteed a \$5,000,000 bank loan due in 1978.

The Company has a 49% interest in a limited partnership which is constructing a 1,214-room hotel in downtown Chicago. The hotel will be leased to the Company for 80 years including renewal options, with rentals based solely on profits. The Company has agreed to contribute approximately \$4,000,000, net of construction period tax benefits, to the partnership as of the earlier of completion of the hotel or August, 1978. A commitment for permanent financing of \$54,000,000 has been obtained, to be secured only by the property.

The Company has a 45% equity interest in Sun Line Greece Special Shipping Company, Inc., the owner of the cruise ship M.S. Stella Solaris. At its fiscal year-end (December 31, 1975), Sun Line Greece had total assets of \$22,698,000 and total liabilities of \$19,015,000, including \$11,921,000 of debt, and \$4,000,000 advanced by stockholders, of which \$1,800,000 was the Company's share. The Company has guaranteed 45% of the debt.

The excess of the Company's investment over the underlying net assets of minority-owned affiliates is \$3,108,000 and is being amortized over periods of up to 40 years.

INCOME TAXES

Reconciliation of the United States statutory tax rate of 48% and the Company's consolidated income tax rate follows:

	1976	1975
United States income tax rate	48.0%	48.0%
State income taxes on U.S. pre-tax income, net of U.S. tax benefit	3.5	3.4
Other items, net	<u>0.3</u>	<u>(0.5)</u>
Effective gross income tax rate	51.8	50.9
Investment tax credit—		
Theme Parks	(6.3)	—
Other	<u>(5.1)</u>	<u>(7.7)</u>
Effective net income tax rate	<u>40.4%</u>	<u>43.2%</u>

Deferred income tax provisions are attributable to:

	1976	1975
Excess of tax over book deduction—		
Depreciation	\$ 7,522,000	\$3,353,000
Interest	3,953,000	4,859,000
Other items, net	<u>2,644,000</u>	<u>1,502,000</u>
	<u>\$14,119,000</u>	<u>\$9,714,000</u>

DEBT

Maturities of Debt at July 30, 1976:

<i>Fiscal Year</i>	<i>Total Debt</i>
Interest rates	4.25% — 10.25%
1978	\$ 17,657,000
1979	18,209,000
1980	19,082,000
1981	17,983,000
to 1997	<u>309,337,000</u>
	<u>\$382,268,000</u>

The Company has debt of \$127,400,000 as of July 30, 1976 at interest rates which vary based on the prime lending rate or London Euro-dollar interbank rate.

Summary of Pledged Assets:

As of July 30, 1976, property and equipment, at cost, excluding land and ship purchased for future operations or resale and construction in progress, totals \$782,518,000, of which \$360,936,000 (46%) is pledged or mortgaged.

Construction Financing and Revolving Loan Agreements:

The Company uses revolving loan commitments, short term loans and commercial paper for interim financing, primarily for construction. Such financing is classified in the consolidated balance sheet as noncurrent indebtedness to the extent that the loans and commercial paper mature beyond the permanent loan take-out or to the extent that the Company has funds available under its revolving loan agreements maturing beyond one year. The above maturity table reflects the maturities of such financing on the basis of the permanent loan payment schedule or the maturity schedule of the revolving credit agreements discussed below.

As of July 30, 1976, the Company has permanent mortgage loan commitments of \$21,300,000 and has \$34,000,000 remaining funds available under its aggregate of \$142,000,000 revolving loan commitments discussed below. In addition, the Company has unused bank credit lines aggregating \$19,000,000.

Interim construction financing in the consolidated balance sheet includes amounts borrowed on projects where the Company has obtained permanent mortgage loan commitments. Interim construction financing averaged \$12,000,000 during 1976 and \$26,000,000 during 1975 (weighted average interest rates of 8% and 11%, respectively) with a maximum loan balance of \$16,000,000 in fiscal 1976 and \$38,800,000 in fiscal 1975.

As of July 30, 1976, the Company has unsecured revolving loan agreements of \$12,000,000 which mature on December 31, 1978, and bear interest based on the prime rate. An aggregate of \$6,000,000 has been borrowed against these loan agreements and is included in interim construction financing.

The Company also has commitments of \$130,000,000 under revolving credit agreements which mature through fiscal 1985. These agreements bear interest based on the prime rate or the London Euro-dollar interbank rate. At July 30, 1976, an aggregate of \$102,000,000 in the form of draw-downs, certain construction accruals and other short term debt had been borrowed against these revolving credit agreements and is included in mortgage notes payable, interim construction financing and unsecured notes payable (including \$28,000,000 of commercial paper). The average effective rate on these borrowings was 7% at July 30, 1976.

Borrowings against all revolving loan agreements averaged \$91,500,000 during 1976 and \$80,300,000 during 1975 (weighted average interest rates of 8% and 10%, respectively) with a maximum balance of \$106,600,000 in 1976 and \$118,300,000 in 1975.

The revolving loan agreements require the Company to meet certain requirements including, among other things, the maintaining of minimum working capital, net worth, and a debt-to-equity ratio (as defined). A commitment fee of up to a

maximum of one half of one percent per year is payable on the unused portion.

Short Term Loans:

The short term loans of \$2,989,000 at July 30, 1976 and \$2,752,000 at July 25, 1975 are foreign overdraft accounts. Short term bank loans, including U.S. borrowings for working capital purposes, averaged \$4,500,000 during 1976 and \$3,400,000 during 1975, at weighted average interest rates of 8.5% and 9.5%, respectively. The maximum outstanding balance was \$13,000,000 during 1976 and \$12,800,000 during 1975.

Compensating Balances:

All compensating balance agreements are informal and do not legally restrict withdrawal of funds. Under certain bank agreements in effect at July 30, 1976, the Company maintains average compensating balances of \$6,400,000 after adjustment for an estimated bank float of \$6,300,000. The balances maintained are equal to a percentage (10% to 20%) of the amounts available or borrowed.

Convertible Subordinated Debt:

4-1/4% Convertible Subordinated Notes due 1992, convertible at \$39.36 per share	\$ 4,995,000
5-1/2% Convertible Subordinated Note due 1988, convertible at \$29.97 per share	15,000,000
5% Convertible Subordinated Debentures due 1988, convertible at \$30.64 per share	11,345,000
	<u>\$31,340,000</u>

Conversion prices are subject to anti-dilution provisions. The agreements have cash dividend restrictions, but at July 30, 1976, all retained earnings are unrestricted.

LEASES

The Company has 508 non-cancelable leases (primarily real estate and shopping center space) which have not been capitalized. Minimum future rentals under non-cancelable leases are as follows:

Fiscal Year	Financing Leases (as defined by the SEC)	Other Leases
1977	\$ 10,262,000	\$ 9,155,000
1978	10,266,000	8,674,000
1979	10,254,000	7,723,000
1980	10,197,000	7,416,000
1981	10,138,000	6,914,000
1982-1986	50,267,000	28,759,000
1987-1991	44,544,000	12,320,000
1992-1996	28,037,000	8,644,000
Thereafter	<u>24,597,000</u>	<u>9,055,000</u>
	<u>\$198,562,000</u>	<u>\$98,660,000</u>

Minimum annual rentals on non-capitalized financing leases were \$9,691,000 in 1976 and were \$8,730,000 in 1975. Certain leases require additional rentals based on sales or profits (as defined). Additional rentals based on profits (as defined) were \$6,239,000 in 1976 and \$5,822,000 in 1975

and based on sales were \$7,637,000 in 1976 and \$6,278,000 in 1975, including \$1,547,000 in 1976 and \$1,268,000 in 1975 on non-capitalized financing leases. Most leases contain one or more renewal options, generally for five or ten year periods.

If non-capitalized financing leases were capitalized, the present values of the minimum lease commitments would be \$93,011,000 at July 30, 1976 and \$91,872,000 at July 25, 1975. Present values are computed by discounting net lease payments at the interest rate implicit at the time of entering into the lease. These rates ranged from 4.4% to 9.9%, with a weighted average rate of 8.3%.

If non-capitalized financing leases were capitalized and related property was amortized on a straight-line basis and interest was accrued on the basis of the outstanding lease liability, net income would have been reduced \$978,000 in 1976 and \$1,016,000 in 1975.

On September 5, 1975, the Company sold and leased back the Lincolnshire Hotel with no gain or loss recognized. Net proceeds were \$7,282,000 and the purchaser assumed the Company's mortgage of \$17,000,000. The initial lease is for ten years with renewal options for an additional sixty years. Under certain conditions the lease may be canceled and converted to a management agreement.

LITIGATIONS AND INVESTIGATIONS

Legal proceedings are pending in the Georgia courts regarding the Company's right to serve Eastern Air Lines from Marriott's new flight kitchen in Atlanta. The Company and a competitor which claims it has the exclusive right to serve Eastern, each have filed claims against the other alleging antitrust violations. The Company also is involved in various other cases and investigations by government agencies. It is not possible at this time to determine the ultimate outcome of these matters, but based on facts now available, it is management's opinion that the ultimate resolution of these matters will not have a material adverse effect upon the financial position of the Company.

CAPITAL STOCK

1,000,000 shares of preferred stock, without par value, are authorized. As of July 30, 1976, no preferred shares have been issued.

45,000,000 shares of common stock, with a par value of \$1 per share, are authorized, of which 35,567,027 and 32,506,837 were issued and outstanding at July 30, 1976 and July 25, 1975, respectively.

Total common stock shares reserved at July 30, 1976:

Conversions of convertible subordinated debt	997,672
Employee stock option plan	922,090
Deferred stock compensation programs	782,202
Employee qualified stock purchase plan	494,697
Restricted stock plan for key employees	100,000
Exercise of warrant, at \$22.65 per share	13,245
Total shares reserved	<u>3,309,906</u>

In September 1974, the Company adopted an employee stock option plan under which options to purchase a maximum of 945,562 shares of common stock may be granted to key employees at not less than 100% of the fair market value on the date of grant. All options expire ten years after the date of grant and are exercisable in cumulative installments of one-fourth each year after a one-year waiting period. Activity under the plan for the fiscal years ended July 30, 1976 and July 25, 1975 is summarized below. Shares and option prices have been adjusted for stock dividends.

	Shares Under Option	
	Number of Shares	Option Price Per Share
Balance, July 26, 1974	—	—
Granted	681,871	\$11.00-12.62
Canceled	<u>(54,317)</u>	11.00
Balance, July 25, 1975	627,554	11.00-12.62
Granted	178,380	10.37-17.75
Exercised	<u>(23,472)</u>	11.00
Canceled	<u>(60,823)</u>	10.37-14.39
Balance, July 30, 1976	<u>721,639</u>	10.37-17.75

At July 30, 1976, options for 125,068 shares were exercisable and 200,451 shares were available for granting of additional options. No accounting is made for options until they are exercised, at which time the proceeds from the options are credited to common stock and capital surplus.

The purchase price for the shares reserved under the employee qualified stock purchase plan is the market value at January 2, 1976 (\$15.98 per share, adjusted for the 1976 stock dividend) or 100% of the market value at the purchase date (January 31, 1977), whichever is less.

The Company has a number of deferred stock compensation programs. Contracts for 782,202 shares of common stock have been awarded of which 354,771 shares are fully vested at July 30, 1976. Under some programs, shares are issued after the period earned; under other programs, restricted shares are issued prior to the period earned. As of July 30, 1976, the amounts payable in the future in stock and the unamortized compensation for restricted shares already issued are:

Stock payable in future	\$4,320,000
Unamortized compensation	<u>(368,000)</u>
Net	<u>\$3,952,000</u>

In September 1975 the Company adopted the Restricted Stock Plan for Key Employees under which the Company may issue restricted shares of its common stock to key executives aggregating not in excess of 25,000 shares each fiscal year beginning in 1976. No contracts have been awarded at July 30, 1976.

10 Year Financial History

<i>(Dollars in Thousands, Except Per Share Amounts)</i>	1976	1975	1974	1973
Summary of Operations (Note A)	(53 Weeks)			
Sales	890,403	732,396	640,439	538,193
Percent increase for the year	21.6%	14.4%	19.0%	27.3%
Cost of sales and operating expenses	817,884	676,014	582,227	489,283
Interest cost	31,187	28,328	21,236	16,063
Interest capitalized	10,432	10,353	5,144	2,802
Income before income taxes	51,764	38,407	42,120	35,649
Per sales dollar	5.8%	5.2%	6.6%	6.6%
United States and foreign income taxes	26,819	19,564	19,425	16,353
Percent to income before income taxes	51.8%	50.9%	46.2%	45.9%
Investment tax credit	5,900	2,975	2,050	1,715
Net Income	30,845	21,818	24,745	21,011
Percent increase (decrease) for the year	41.4%	(11.8%)	14.3%	18.5%
Per sales dollar	3.5%	3.0%	3.9%	3.9%
Return on beginning shareholders' investment	12.2%	9.6%	12.4%	12.1%
Funds provided from operations (Note C)	87,543	70,320	63,592	51,450
Capital expenditures	143,235	159,178	114,153	103,937
Assets Employed				
Net working capital	15,866	15,425	14,518	9,771
Fixed assets	681,393	578,050	481,858	427,572
Other assets	48,703	57,905	47,979	42,834
Debt and Equity				
Mortgages and notes	334,928	325,076	226,423	216,409
Construction financing	16,000	4,948	25,360	34,383
Deferred income taxes	47,343	34,514	28,392	21,132
Convertible subordinated debt	31,340	32,240	34,300	5,000
Shareholders' investment	315,344	253,736	227,110	199,731
Per Share Data (Note B)				
Net income90	.66	.76	.65
Stock dividends				
Percent	2.5%	2.5%	2.5%	2.5%
Cash equivalent44	.37	.46	.76
Shareholders' investment	8.87	7.62	6.93	6.13
Quoted market price at year end	14.25	12.80	16.54	27.74
Other Data (Note B)				
Weighted average shares outstanding	34,363,515	33,084,134	32,664,719	32,482,838
Shares outstanding	35,567,027	33,319,508	32,761,706	32,600,598
Number of shareholders	47,000	43,200	38,900	37,000
Number of employees (including seasonal)	60,600	46,200	43,400	38,700
Number of operating units	825	774	688	570
Hotel rooms				
Owned and leased	13,774	12,303	9,912	8,772
Managed (sales not consolidated)	736	1,090	275	—

NOTES: (A) See Notes to Consolidated Financial Statements for summary of significant accounting policies and additional information.

(B) Per share data is based on weighted average shares outstanding during the year (except for shareholders' investment which is based on total shares outstanding), adjusted for stock dividends and for 2-for-1 splits in March 1968 and March 1972.

	1972	1971	1970	1969	1968	1967	1966	10 Year Compound Growth
			(53 Weeks)				(53 Weeks)	
	422,928	351,929	318,324	258,741	197,498	146,349	123,933	21.8%
	20.2%	10.6%	23.0%	31.0%	35.0%	18.1%	25.4%	
	382,208	316,191	289,067	237,811	180,755	133,772	113,242	
	11,697	11,539	10,975	5,707	3,809	2,324	1,570	
	1,612	1,273	1,252	792	428	567	—	
	30,635	25,472	19,534	16,015	13,362	10,820	9,121	19.0%
	7.2%	7.2%	6.1%	6.2%	6.8%	7.4%	7.4%	
	14,251	11,730	9,230	8,040	6,770	5,233	4,391	
	46.5%	46.1%	47.3%	50.2%	50.7%	48.4%	48.1%	
	1,350	35	795	988	827	462	380	
	17,734	13,777	11,099	8,963(D)	7,419	6,049	5,110	19.7%
	28.7%	24.1%	23.8%	20.8%	22.6%	18.4%	22.4%	
	4.2%	3.9%	3.5%	3.5%	3.8%	4.1%	4.1%	
	13.6%	14.9%	13.9%	15.3%	16.3%	19.6%	19.5%	
	43,531	34,455	26,224	20,548	16,302	12,920	10,759	23.3%
	67,952	77,204	56,042	57,912	41,882	26,024	24,815	
	9,592	8,585	12,008	7,376	7,579	4,559	6,872	
	349,398	286,348	218,473	174,374	124,510	86,717	59,728	
	38,789	30,236	28,173	21,976	12,159	6,810	1,066	
	174,054	145,056	104,702	75,628	65,976	44,965	31,090	
	18,569	7,680	19,850	9,720	2,500	—	—	
	22,898	17,297	13,978	10,454	7,215	7,667	5,697	
	6,066	24,879	27,840	28,000	10,000	—	—	
	174,230	130,257	92,284	79,924	58,557	45,454	30,879	26.2%
	.56	.46	.39	.33(D)	.28	.24	.21	16.2%
	—	2.5%	2.5%	2.5%	3.0%	4.0%	4.0%	
	—	.41	.35	.35	.25	.20	.26	
	5.39	4.24	3.24	2.82	2.17	1.72	1.25	21.7%
	31.93	19.87	10.72	13.42	12.20	6.79	5.20	
	31,631,518	29,975,430	28,383,778	27,439,276	26,811,392	24,769,460	24,688,952	
	32,328,190	30,708,187	28,457,624	28,334,093	27,024,015	26,449,971	24,656,795	
	32,400	27,900	26,500	24,000	20,700	15,767	13,150	13.6%
	34,100	27,300	26,000	24,300	19,700	15,600	12,500	17.1%
	508	419	382	324	256	206	150	18.6%
	8,403	6,713	5,790	4,770	2,957	2,323	2,397	19.1%
	—	—	—	—	—	—	—	

(C) Funds provided from operations consist of net income plus depreciation, deferred taxes and other expenses not requiring current outlay of working capital.

(D) Net income in 1969 excludes extraordinary gains on sales of properties (\$1,274,000 net of \$483,000 tax or \$.05 per share).

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Director, Several Other Corporations*

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Sun Line Cruises—Corporate Services*

David L. Brown, III*
Group Vice President, Theme Parks

Richard E. Marriott*
*Group Vice President, Restaurant
Operations*

CORPORATE OFFICERS

Alice S. Marriott
Vice President

Sterling D. Colton**†
Senior Vice President, General Counsel

Robert E. Koehler**†
Senior Vice President, Finance

Woodrow D. Marriott
Senior Vice President

Robert Barrie
*Executive Vice President
Marriott Hotels*

Fred Boulineau
*Vice President, Business Development
President, Marriott Condominium
Development Corporation*

Thomas E. Burke†
Vice President, Corporate Affairs

Francis W. Cash
Vice President, Corporate Controller

John F. Davis
*Executive Vice President, Farrell's Division
Restaurant Operations*

J. Robert Droege
Vice President, Corporate Real Estate

Elmo Geoghegan
*Executive Vice President
Big Boy Restaurants of America
Restaurant Operations*

John J. Graves
*Vice President, Architecture and
Construction*

Richard W. Kernan
*Group Vice President, Dinner House Division
Restaurant Operations*

Foster M. Kunz*
Vice President, Industrial Relations

Alvin W. LeFavre
*Vice President, Marketing
Marriott Hotels*

Leonard W. Lefevre
Vice President

Fred J. Martin
*Vice President, Food Service Management
Business and Professional Services*

Robert B. Morris
Corporate Secretary

John R. O'Bryan
*Vice President and Controller
Business and Professional Services*

James H. Pflaging
*Vice President, Marketing
Marriott In-Flite Services
Business and Professional Services*

Peter H. Plamondon
*Group Vice President, Fast Foods Division
Restaurant Operations*

M. O. Ryan
*Vice President
Marriott Hotels*

Robert A. Seubert
*Vice President and Controller
Marriott Hotels*

George A. Stewart
*Executive Vice President
Fairfield Farm Kitchens*

Gary L. Wilson†
*Vice President, Corporate Development
and Treasurer*

* Operating Committee
† Strategic Planning Committee

Shareholder Information

INTERNATIONAL HEADQUARTERS

Marriott Corporation
5161 River Road
Washington, D.C. 20016
Area Code 301-986-5000
Telex: 892767-MARCORP BHDA

REGISTRAR AND TRANSFER AGENT

The Riggs National Bank of
Washington, D.C.
1510 H Street, N.W.
Washington, D.C. 20013
Area Code 202-624-2628

AUDITORS

Arthur Andersen & Co.
1666 K Street, N.W.
Washington, D.C. 20006

1976 ANNUAL MEETING

The 1976 Annual Meeting of
Shareholders will take place at
10 a.m., Tuesday, November 16
at Shady Grove Music Fair in
Gaithersburg, Maryland. The
theatre is located at the Shady
Grove Road Exit off Interstate
Highway 270 (formerly 70-S).



MUSIC '76!

Marriott Corporation's widely acclaimed Bicentennial gift to the nation. Presented nightly through the summer of '76 at the Washington Monument, in cooperation with the National Park Service. Ninety minutes of The Young Americans, singing and dancing, capped with fireworks. And picked as one of the country's "Top 20" Bicentennial events. A highlight for a quarter-million visitors to the Monument Grounds.





5161 River Road
Washington, D.C. 20016